

# Annual Report 2001 of the Environmental Finance Center Network

Environmental Finance Center Network

2001 Annual Report

## Boise State University EFC

**A key focus of the EFC at Boise State University is utility rate setting and capital improvement planning for environmental facilities**

The Environmental Finance Center at Boise State University (EFC) was created in 1995 and first received funding in the fall of 1996. The EFC at BSU is contained within the Department of Public Policy and Administration of the College of Social Sciences and Public Affairs. It serves the communities in the Pacific Northwest and Intermountain states of Alaska, Idaho, Oregon and Washington. The mission of the EFC is to help communities and the states with the "how to pay" issues of environmental protection. This report outlines the EFC's accomplishments in 2001, new initiatives for 2002, network collaborations, presentations and results.

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### ACCOMPLISHMENTS

The EFC completed work in the policy areas of Drinking Water and Wastewater System Capacity Building, Watershed Protection, Brownfields and Superfund during 2001.

#### DRINKING WATER AND WASTEWATER SYSTEM CAPACITY BUILDING

##### Capacity Development Strategy Implementation

The Boise State University EFC devoted significant efforts in designing and testing drinking water system capacity assessment methodologies required by the 1996 Amendments to the Safe Drinking Water Act. As part of this work, the EFC assisted states in improving institutional capacity and formulating and implementing drinking water program capacity development strategies. Prior to 2001 the EFC assisted state drinking water programs in Alaska, Idaho, Oregon, Kansas, Iowa, Maine and Missouri in



meeting the August 6, 2000 deadline for capacity development strategy implementation required by the SDWA Amendments [Section 1420(c)].

During 2001 the EFC provided assistance to Alaska and Idaho as those states moved to implement the elements of their capacity development strategies. In Alaska, the EFC worked with the Department of Environmental Conservation Drinking Water Program to amend the current sanitary survey and include measures of financial and management capacity. This new instrument – Alaska’s Enhanced Sanitary Survey – was also reformatted to be used on laptop computers. This new format facilitates the capture of data elements for strategic purposes, as the state seeks to identify those systems most in need of assistance.

Working with the Alaska Department of Economic and Community Development the EFC developed Ratio8™. Ratio8 is a computer model and handbook designed to assist Alaska Native Villages in improving financial capacity for their utilities. The model develops eight key ratios of financial performance that village boards and staff can use to track performance over time. Ratio8 adds value to the Department’s Rural Utility Business Advisor’s program of establishing uniform accounting systems among the villages. It can be used to detect trends in financial performance that indicate the need for improved management or specific technical assistance. Ratio8 also has broad applicability to water and wastewater systems in rural settings.

#### **Utility Rate Setting Training and Technical Assistance**

The EFC continued to conduct utility rate design workshops and presentations within Region 10 in 2001. The workshops were organized based upon local demand for assistance and met the goal of providing this training in the majority of Region 10

states, primarily in Oregon, Washington and Idaho. One rate-setting workshop was presented at the Washington Infrastructure Assistance Coordinating Council's Conference in Wenatchee. Approximately 30 persons participated in this workshop.

In 2001 there was a shift in demand for EFC service from workshop settings toward providing one-on-one technical assistance. Also, the EFC began investigating the need to develop a new utility rate setting model to replace *RateMod Pro* – a proprietary program. The increasing sophistication of computer operating systems, such as Windows 2000 and Millennium Edition, has made the use of RateMod in a classroom setting more difficult.

#### **Idaho Drinking Water State Revolving Fund**

The EFC assisted the Idaho State Drinking Water Program in developing a capability screening mechanism for DWSRF loan applications as well as providing technical review of loan applications based on that screening mechanism. This work has been conducted through a sole-source contract with the Department of Environmental Quality since 1997. EFC-produced loan reviews increased dramatically in 2001. These “third-party” reviews have generally revealed the lack of long-term planning and deficiencies in funding water utility system depreciation or system replacement. The Center continues to provide information and technical assistance to regulated water systems interested in receiving DWSRF loans from the State and analysis of rate worthiness of SRF loan applications utilizing the Capability Assessment Methodology developed by the Center in 1997.

#### **Alaska State Revolving Fund**

Toward the end of 2001, the Alaska Department of Environmental Conservation's State Revolving Fund Program established a contract with the EFC to provide financial capacity reviews for all applicants to the Drinking Water and Clean Water State Revolving Funds. This contract is a spin-off from our work with the State of Idaho. The EFC is expected to conduct up to eight financial capacity reviews during the first six months of 2002.

### **CAPFinance™**

In 1998, in cooperation with the BSU College of Engineering, the Center began the development of capital improvement planning and financing tool for small water and wastewater utilities. The goal was to offer a tool that will help small utilities assess their capital facilities and on the basis of that assessment, prepare a multi-year financing plan. This financial information could greatly aid small water and wastewater systems in meeting the full-cost pricing needs of their operations. Beta testing of the tool in Idaho began in the summer of 1999 and continued in 2000.

The development of this tool was a response to the Center's discovery that many small water systems have difficulty in determining the level of funding necessary from utility service charges for the ongoing and future replacement of worn-out capital facilities. In addition, the GASB 34 directive on capital facility accounting will require governments to do a better job of managing infrastructure investment. This new capital facilities financial planning tool compliments the *RateMod Pro* utility rate setting computer model which was developed (in its initial form) by the Environmental Finance Program. The "capital financing model" generates information that is essential to the calculation of full cost financing through user fees, which is the primary task of the *RateMod Pro*.

The Environmental Finance Centers' predictions of the need for this tool have proven to be correct. The beta testing in 1999 and 2000 proved that the water system version of the model was useful. In the latter half of 2000, the EFC incorporated many suggestions for improvements from beta testing and utilized a software development firm to create the next level of the program. In 2001, community interest in using CAPFinance has increased, with several copies being provided to water systems in the region. CAPFinance was also featured in the publication of the National Environmental Training Center at the University of West Virginia; which resulted in greater interest in this tool.

Also, the EFC began work toward developing a wastewater system version of the CAPFinance tool. The combined water and wastewater version of CAPFinance is due to be completed early in 2002.

### **Water Conservation Cost-Benefit Modeling Tool**

In 2001 the EFC began collaborating with the State of Washington Department of Health on the development of a tool designed to assist local communities with cost/benefit analysis on water system pricing. Drought conditions in 2000 have led to a programmatic emphasis in the State of Washington toward water conservation. This effort will result in a computer model that will project the revenue and expense effects of water conservation over a six year forecast period. It is expected that this computer model will be useful for other states and communities.

### **Regions 7,8,9,10 Capacity Development and Operator Certification Meeting: Seattle, WA**

Region 10 EPA hosted the second annual meeting of the drinking water capacity development and operator certification staffs of the states and EPA regional offices for regions 7, 8, 9, and 10. EFC Director Bill Jarocki served as the facilitator for the three-day event and offered additional presentations on water system asset management, utility rate setting, and multi-year budgeting.

### **Drinking Water System Training Course: West Virginia University**

For the second consecutive year, EFC Director Bill Jarocki presented a financial management training course at the University of West Virginia as part of their annual training conference for water system and wastewater system personnel and the agencies that provide technical assistance to water and wastewater systems.

### **National Wastewater Training Conference**

In June, EFC Director Bill Jarocki joined EFC3 Training Coordinator Jean Holloway in presenting a capital improvements planning – asset management workshop at the 18<sup>th</sup> Annual Wastewater Trainers Conference in Philadelphia.

### **Northwest Small Cities Center**

In March 2001 the EFC assisted the Northwest Small Cities Center by moderating a panel discussion at their one-day workshops on public management throughout Idaho.

## **WATERSHED PROTECTION**

### **Source Water Protection**

In 2001, the EFC began collaborating with the EFCs at the Universities of New Mexico, North Carolina, Syracuse and Maryland on a project related to source water protection project funded by EPA. The EFC focused its efforts on two projects. The first focuses on facilitating water source protection financial planning in Blaine County, Idaho involving federal, state and private land ownership and shallow groundwater. The EFC staff is working with the County's source water protection stakeholder committee in fashioning a financing strategy and implementation plan.

The second project is located in the cities of Sweet Home, Lebanon and Albany in Oregon. This project involves federal, state and private land, TMDL and ESA compliance issues and surface water use for drinking water source protection.

The ultimate goal of the two projects is to use the results of the stakeholder processes to inform policy makers about the challenges that small communities face in meeting source water protection planning objectives, such as fostering stakeholder participation and cooperation, gaining consensus on need for voluntary and programmatic efforts necessary to protect water sources, and developing financial resources for plan implementation.

### **Watershed Funding Workshops – Colorado**

The success of the watershed funding workshops in the northwest prompted requests from the states of Montana and Colorado for similar workshops. The EFC has conducted one workshop in Colorado (Region 8) in October of 2001. Funding for this effort came from the contract awarded to the University of

Maryland EFC for the national watershed funding workshop grant.

### Watershed Roundtable Forum – Idaho

In order to improve dialogue between the various funding sources and to encourage cooperation between public and private funding sources, the Environmental Finance Center at Boise State University is experimenting with a series of meetings in Idaho to promote such a dialogue. The idea originated with several of the members of the CWAP team that organized the Regional Watershed Roundtables. The EFC took the lead on organizing the meetings because of its unique, neutral status. So far three meetings have been held and already improved dialogue and partnerships are evident.

### Alaska Watershed Funding Workshops

The Center conducted watershed funding workshops on February 5 and 8, 2001 at the Alaska Forum on the Environment in Anchorage, Alaska. The EFC worked with EPA Region 10 and the Alaska Department of Environmental Conservation (ADEC) to develop informational binder for distribution at the workshops. The informational materials consisted of:

- EPA's Catalog of Federal Funding Sources
- Alaska contact information for federal and state agencies with funding authority
- Grant writing guidelines
- Private foundation funding sources with examples of projects funded in Alaska
- A collection of short articles on developing funding strategies
- Alaska's non-point source pollution control strategy

- Examples of projects funded under Alaska's 319 funding program
- An example case study representing typical challenges in Alaska watersheds

A total of 51 informational binders were brought to the workshop and distributed to workshop participants. Approximately 50 people attended the workshops and requests were made for additional informational binders. The participants in the workshop expressed a need for more support with this type of training. As with many locations throughout the country, there was a strong need for funding to support local planning efforts. Many participants saw a need for more specific funding training to build their capacity to develop overall strategies.

### BROWNFIELDS

#### Oregon Rural Brownfields Conference

The EFC presented a workshop on the successful use of the charrette process in meeting the challenges of financing Brownfield redevelopment at the annual Oregon Rural Brownfields Conference in Bend, OR. This presentation has led to request from the City of Chiloquin, Oregon in having the EFC organize a financing charrette in 2002 for its Brownfield redevelopment site.

### SUPERFUND

#### Bunker Hill Financing Assistance

In 2001 the Idaho Governor's Office requested assistance from the EFC in analyzing the financial requirements of implementing infrastructure improvements for the control of contaminants contained at the superfund remediation site in Smelterville. The EFC began working with the Office of Governor Dirk Kempthorne, the Department of Environmental Quality and its contractor, Terragraphics late in 2001. The goal of the project is to identify funding resources and funding gaps relative to needed capital improvement projects.

### **NEW INITIATIVES FOR 2002**

The EFC will pursue several new initiatives in 2002 in the policy areas of Safe Drinking Water, Watershed Protection and Brownfields.

#### **DRINKING WATER AND WASTEWATER SYSTEM CAPACITY BUILDING**

##### **Idaho Drinking Water State Revolving Fund**

The EFC has been awarded a contract for 2001 to help promote the Idaho DWSRF, which is currently underutilized in the state. The EFC will conduct statewide workshops on developing a long-term funding strategy that incorporates all of the state and federal funding programs. The emphasis will be to develop a broad-based funding strategy that utilizes multiple funding sources.

##### **GASB Implementation White Paper**

The EFC will prepare a white paper for the Finance Committee of the Pacific Northwest Section of AWWA (AWWA PNWS). The paper will examine the implementation of GASB 34 in Oregon, Washington and Idaho.

##### **CAPFinance™**

The EFC will continue to promote the use of CAPFinance™ to improve capital asset management in drinking water infrastructure. In 2002, the EFC will develop a new wastewater infrastructure component.

##### **TMF Training**

The EFC will continue to deliver technical, financial and managerial capacity training in Alaska as well as other states that express an interest in such training.

#### **WATERSHED PROTECTION**

##### **Watershed Funding Workshops – Alaska, Idaho, Oregon, Washington**

The EFC has been awarded a contract to conduct 14 watershed funding workshops throughout Region 10. Funding for the workshop is being obtained from the states of Alaska, Idaho, Oregon and Washington as well as EPA and the Corps of Engineers. As part of this effort, the EFC will provide ongoing support to watershed groups in implementing long-term funding strategies.

### Coastal America Program

The EFC is working with the regional Coastal America coordinating team to develop greater use of the Coastal America program in the northwest. The EFC is helping to coordinate funding for five projects in the Salmon River watershed sponsored by the Idaho Office of Species Conservation and partially funded by the Bonneville Power Administration.

### Stormwater Utility Financing

The EFC will be assisting the City of Pocatello, Idaho in developing a stormwater utility fee system.

### Brownfields

The EFC will continue to pursue opportunities to conduct Brownfield charrettes throughout region 10.

## NETWORK COLLABORATIONS

### Source Water Protection

The EFC is collaborating with the EFCs at the universities of New Mexico, North Carolina, Syracuse and Maryland on the source water protection project with EPA.

### Watershed Protection

The EFC will continue to collaborate with the EFC at the University of Maryland on watershed protection and watershed funding efforts.

### CAPFinance™

The EFC will continue to collaborate with the EFC network – primarily with the Great Lakes EFC and EFC3 at the University of Maryland – on the development and distribution of CAPFinance™.

### Utility Rate Setting

The EFC will continue to collaborate with the EFC network in conducting utility rate setting training following the development of the proposed EFC-developed utility rate setting model for water and wastewater utilities.

## RESULTS

The Boise State University EFC continues provide assistance to local communities with the ‘how to pay’ challenges of environmental compliance and sustainability. The strongest evidence of our results is the increase in requests for assistance federal, state and local governments as well as private organizations. Our increase in funding from a multitude of sources to carry out a wide variety of assistance programs demonstrates the success of such programs. The EFC is committed to serving both the needs of communities in region 10 as well as the collaborative needs of the EFC network and we expect our efforts to improve the capacity of local communities in determining how to pay for sustainability and protecting the environment.